

[REDACTED]

[REDACTED]

[REDACTED]

JUL 24 1987

Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code.

The information submitted shows that you were incorporated on [REDACTED], under the [REDACTED] Non-Profit Corporation Act.

Your purposes as stated in your bylaws are:

"Section 1. That sole purpose for which this association is formed is to advertise by any and all means or media the products and services of [REDACTED] franchised dealers, members of the association.

Section 2. The general purposes for which this association is formed and the activities and objectives to be carried on by it are:

a. To foster and promote retail trade and commerce in connection with the products and services of the members, and to protect the same from unjust and unlawful exactions and impositions;

b. To foster and promote the interests of those persons, firms and corporations engaged in the retailing of [REDACTED] vehicles as members of the association is [REDACTED];

c. To conduct and operate means and places of disseminating information relative to the use of motor vehicles and for such purposes to establish, conduct and manage advertising campaigns, exhibitions, displays, tests, trials and demonstrations;

d. To promote the establishment and maintenance of a high standard of business ethics by members of the association and by all other automobile dealers and to any other business practice which may be detrimental to the public and to the retail automobile industry."

[REDACTED]

You state that the present and future source of financial support is from [REDACTED]. Your financial statements for [REDACTED] show that your support is from [REDACTED].

Your membership is limited to those persons, firms and corporations actively engaged in the retailing of [REDACTED] motor vehicles who are duly authorized holders of franchise agreements with [REDACTED] in [REDACTED].

Section 501(c)(6) of the Internal Revenue Code provides exemption for business leagues, chambers of commerce, real estate boards, or boards of trade...not organized for profit and no part of the net earnings which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations provides that a business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self sustaining, is not a business league.

Revenue Ruling 67-77, C.B. 1947-1, page 138, held that an organization composed of dealers in a certain make of automobile in a designated area, organized and operated for the primary purpose of financing general advertising campaigns to promote the sale of automobiles, parts, and services is performing particular services for its members instead of the automobile industry as a whole and is not entitled to exemption. Its income consisted of contributions from the dealer members.

In National Muffler Dealers Association, Inc. v. United States 440 U.S. 472 (1979), it was held that a trade organization for muffler dealers which confined its membership to dealers franchised by a particular company and its activities to the business of that company was not entitled to exemption under section 501(c)(6) of the Code. The association was determined not to be engaged in the improvement of business conditions of a line of business.

Section 501(c)(6) of the Code provides exemption for organizations which promote the improvement of business conditions of one or more lines of business rather than support particular private interests. The term, line of business, has been interpreted to mean either an entire industry, see American Plywood Association v. United States (67-2 USTC 9568), or all components of

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an industry within a geographic area, Commissioner v. Chicago Graphic Arts Federation, Inc. (42-2 USTC 9484).

You promote the particular needs of your members and not the automobile industry as a whole. Your membership and activities are not industry-wide but are limited to the [REDACTED] dealers in a particular area and your funding is solely from [REDACTED]. Therefore, we have determined that you do not meet the requirements for exempt status as an organization described in section 501(c)(6) of the Code. You should file income tax returns on Form 1120.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. The enclosed Publication 892 gives instructions for filing a protest.

If you do not file a protest with this office within 30 days of the date of this letter, this proposed determination will become final.

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-address envelope as soon as possible.

Sincerely,

[REDACTED]
District Director

Enclosures:
Publication 892
Form 6018